

# Estimating the Mortgage Default Probability in Cyprus: Evidence using micro data

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## *Abstract*

As financial institutions are exposed to the mortgage market, the identification of the characteristics associated with high default risk is crucial for the economy's financial stability and growth. In this paper, we examine for the determinants of mortgage default for households, using both their economic and socio-demographic characteristics. Using panel data from the Eurosystem Household Finance and Consumption Survey from 2009 to 2017, we find that the mortgage debt service to income ratio, as well as the debt to total household wealth ratio, are positively related with a higher mortgage default probability. In addition, salaried employment reduces such probability and households with more than four members are more prone to mortgage arrears.

**Keywords:** Eurosystem HFCS, survey, defaults, probability, households

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